AN ACT concerning taxation; relating to privilege tax; banks, trust
companies and savings and loan associations; deduction of net interest
received from certain business and single family residence loans;
amending K.S.A. 79-1109 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 79-1109 is hereby amended to read as follows: 79-
1109. (a) As used in this act, "net income" shall mean the Kansas
taxable income of corporations as defined in K.S.A. 79-32,138, and
amendments thereto, determined without regard to the provisions of
K.S.A. 79-32,139, and amendments thereto, and the provisions of
paragraph (xiv) of subsection (c) of K.S.A. 79-32,117(c)(xiv), and
amendments thereto, plus income received from obligations or securities
of the United States or any authority, commission or instrumentality of the
United States and its possessions to the extent not included in Kansas
taxable income of a corporation and income received from obligations of
this state or a political subdivision thereof which are exempt from income tax under the laws of this state; less dividends
received from stock issued by Kansas venture capital, inc. to the extent
such dividends are included in the Kansas taxable income of a corporation,
interest paid on time deposits or borrowed money and dividends paid on
withdrawable shares of savings and loan associations to the extent not
deducted in arriving at Kansas taxable income of a corporation.

(b) Savings and loan associations shall be allowed as a deduction
from net income, as hereinbefore defined in subsection (a), a reserve
established for the sole purpose of meeting or absorbing losses, in the
amount of 5% of such net income determined without benefit of such
deduction, but no further deduction shall be allowed for losses when
actually sustained and charged against such reserve, unless such reserve
shall have been fully absorbed thereby; or, in the alternative, a reasonable
addition to a reserve for losses based on past experience, under such rules
and regulations as the secretary of revenue may prescribe.

(c) For all taxable years commencing after December 31, 2019,
national banking associations, state banks, trust companies and savings
and loan associations shall be allowed as a deduction from net income, as
defined in subsection (a), the net interest income received from business
loans and the net interest income received from single family residence
loans to the extent such interest is included in the Kansas taxable income
of a corporation. As used in this subsection: (1) "Interest" means interest
on indebtedness incurred in the ordinary course of the active conduct of
any business and interest on indebtedness incurred that is secured by a
single family residence; (2) "business" means any entity operated
primarily for commercial or agricultural purposes and is not an individual
obtaining a loan primarily for personal, family or household purposes; (3)
"single family residence" means a residence that: (A) Is the principal
residence of its occupant; (B) is located in a rural area as defined by the
United States department of agriculture that is not within a metropolitan
statistical area and has a population of 2,500 or less as determined by the
most recent census for which data is available; and (C) is purchased or
improved with the proceeds of the loan; (4) "net interest income received
from business loans" means the product of the ratio of the interest income
earned on business loans over total interest income earned, in relation to
the net income of the national banking association, state bank, trust
company or savings and loan association without regard to this deduction;
and (5) "net interest income received from single family residence loans"
means the product of the ratio of the interest income earned on single
family residence loans as defined herein over total interest income earned,
in relation to the net income of the national banking association, state
bank, trust company or savings and loan association without regard to this
deduction.

Sec. 2. K.S.A. 79-1109 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its
publication in the statute book.